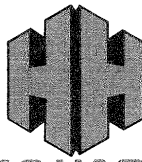


Management Letter

THE CHARTER SCHOOL OF WILMINGTON, INC.
(A Component Unit of the State of Delaware)
Wilmington, Delaware

Year Ended June 30, 2006



HAGGERTY & HAGGERTY, P.A.

**CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS**

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Management Letter

To the Members of the Board
The Charter School of Wilmington, Inc.
Wilmington, Delaware

In planning and performing our audit of the financial statements of The Charter School of Wilmington, Inc. (a component unit of the State of Delaware) for the year ended June 30, 2006, we considered the School's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During the audit we became aware of matters that are opportunities for strengthening internal control and increasing efficiency. The memorandum that accompanies this letter summarizes our findings and recommendations regarding those matters. A separate report dated September 25, 2006, contains our report on reportable conditions in the School's internal control. The letter does not affect our report on the School's financial statements, dated September 25, 2006.

The matters noted are only those that came to our attention and, had our procedures for internal control related matters been more extensive, other matters might have been noted. Also, the functioning of the internal control was assessed at a point in time, and no assurances can be drawn that the internal control is functioning or will continue to function beyond the point in time at which it was assessed. No opinion is being expressed regarding the internal control taken as a whole.

The status of the findings will be reviewed in the subsequent audit engagement. We have discussed these matters with the School's personnel and we would be pleased to discuss them in further detail, to perform any additional study, or to assist the School in the implementation of the recommendations.

This report is intended solely for the information and use of management, School Board, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of the Budget, Office of Auditor of Accounts, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.


Certified Public Accountants

September 25, 2006
Wilmington, Delaware

LIST OF FINDINGS FOLLOWS:

<u>Current Findings</u>	<u>Description</u>
1	Vendor Invoices
2	Transaction Processing

Status of Prior Years' Findings

June 30, 2005:

1	Human Resource Function
2	Bank Reconciliations
3	Vendor Invoices

June 30, 2004:

2	Payment Vouchers and Cash Receipts
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June 30, 2000:

3	Student Activity Account
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CURRENT FINDINGS

Finding Number 1 - Vendor Invoices

Our review of vendor payments revealed that 26 out of 128 DFMS expenditures were not paid within 30 days of the date of the invoice, 4 out of 128 invoices contained late charges totaling \$177.74, and 1 invoice contained a note that "the invoice will be sent to a collection agency if not paid within a week".

The State of Delaware *Budget and Accounting Manual* Chapter VII 10(a) states, "The State shall make every effort to issue payments to vendors within 30 days of the presentation of a valid invoice on which a state agency is liable to make payment; or receipt of goods or services; if received after the invoice or bill".

Recommendation

We recommend that the School comply with the State of Delaware *Budget and Accounting Manual* and pay invoices within 30 days. We also recommend that vendor invoices be dated when received.

Management Response and Correction Action

"The Financial Secretary will be instructed to date Vendor Invoices on the day they are received. The School will make every effort to issue payment within 30 days after a valid bill is presented."

CURRENT FINDINGS (continued)

Finding Number 2 - Transaction Processing

Our review, of a sample of 128 transactions processed, revealed the following:

- 15 employee reimbursements did not contain claim dates making timeliness undeterminable
- 1 employee reimbursement was overpaid \$4
- 1 duplicate payment was made
- 5 PV's were not authorized by a school official
- 1 document did not agree with the DFMS report
- 1 PO (purchase order) was incomplete
- 49 documents were dated before the authorization date, because the date when the information was entered into DFMS was not recorded, it gave the appearance of being entered before the authorization date.

The State of Delaware *Budget and Accounting Manual* Chapter VII 1(b) states, "Requests for payment must be presented bearing the signed approval: In the case of an agency which is headed by a single official or employee, by that official or employee or by another responsible employee designated by the head official or employee".

Recommendation

We recommend that all invoices be reviewed for completeness, accuracy and be dated when entered into DFMS. We also recommend that the school comply with the State of Delaware *Budget and Accounting Manual* and have all invoices approved by the designated official or employee.

Management Response and Correction Action

"The Financial Secretary will be instructed to follow the Auditors' recommendations."

STATUS OF PRIOR YEARS' FINDINGS

June 30, 2005:

Finding Number 1 - Human Resource Function

Our review of the human resource function revealed that certain personnel files did not contain documentation of INS (Immigration and Naturalization Service) Form I-9, Employee Withholding Allowances Certificates, or background checks. Out of a random sample of 30 files, 11 files had incomplete or missing information, 6 of the files were reviewed in the prior year audit and were complete when reviewed in the prior year.

The Immigration Reform and Control Act of 1986 requires all employers to verify "employment eligibility" of any individual hired after November 6, 1986 by completing and retaining INS Form I-9.

Delaware Department of Education (DOE) requires that all final candidates for public school related employment are required to have a criminal background check (DOE Administrative Code Section 745).

The Internal Revenue Code requires the information on the Employee's Withholding Allowance Certificate under Sections 3402(f)(2)(A) and 6109 and their regulations.

Also, personnel information must be protected to insure the employees right to privacy.

Recommendation

We recommended that the School institute review procedures to ensure that all personnel files contain all the necessary documentation required for compliance with federal, state and local laws. We also recommended that all personnel information be maintained in a safe and secure environment.

Status of Finding

Out of a random sample of 37 files, 7 files had incomplete I-9 forms, 2 files had incomplete W-4 forms, 4 files had incomplete information supporting name changes, 3 files had incomplete contracts, 1 files had a whole section of the personnel file misfiled in another employees file and personnel files are not kept in a safe and secure environment.

Management Response and Correction Action

"The President will review the Human Resources function to determine how to best assign duties to the support staff so that proper attention and diligence will be given to HR files."

STATUS OF PRIOR YEARS' FINDINGS (continued)

June 30, 2005: (continued)

Finding Number 2 - Bank Reconciliations

Our review of the bank account reconciliations revealed that they are not properly performed. Errors could be identified more readily when reconciliations are properly performed.

Recommendation

We recommended that the Finance Secretary's job description be revised to include procedures necessary to assure that bank reconciliations are properly performed.

Status of Finding

The finding remains unresolved.

Management Response and Correction Action

"We agree that the Financial Secretary's job description should include the proper reconciliation procedures. However, a study should be made to determine whether the workload can be accommodated within the current number of work hours devoted to the various responsibilities of this position."

Finding Number 3 - Vendor Invoices

Our review of vendor payments revealed that all invoices are not reviewed for accuracy. One invoice cost the school \$232 because the invoice was not added correctly by the vendor.

Recommendation

We recommended that the Finance Secretary review all vendor invoices prior to payment.

Management Response and Correction Action

"The Finance Secretary has been instructed to review all invoices and the \$232 has been recovered from the vendor."

Status of Finding

The finding is resolved and the funds have been recovered.

STATUS OF PRIOR YEARS' FINDINGS (continued)

June 30, 2004:

Finding Number 2 - Payment Vouchers and Cash Receipts

Our review of payment vouchers and cash receipts revealed that expenditures are miscoded and documentation is either missing or inconsistent with source data.

Recommendation

We recommended that prior to processing any documents with the State a thorough review be performed.

Status of Finding

The finding remains unresolved.

Management Response and Correction Action

"We agree that additional care needs to be taken in the coding of payment vouchers and cash receipt items. This area should be considered when the President does his review of the current support staff workload and the number of hours allocated each year to the different functions involved."

June 30, 2000:

Finding Number 3 - Student Activity Account

Our review of the Student Activity cash account indicated that the reconciliation is not reviewed by the Business Manager.

Recommendation

We recommended that once the reconciliation is performed by the Financial Secretary, the Business Manager review it.

Status of Finding

The finding remains unresolved.

Management Response and Correction Action

"Six years ago, the auditors recommended that the Student Activity bank reconciliations be reviewed by the Business Manager. Our response was that the Business Manager role is carried out by a part-time consultant who does not have daily access to the Student Activity records; further, this duty is beyond the scope of work contained in the contractual agreement with the consultant. Therefore, the President will, of necessity, have to assign this responsibility to himself or to someone else who is employed by the School."